

Year end Jan. 31, 1971

AR28

Hudson's Bay Company



1971 Annual Report



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1971 Annual Report

(fiscal year ended January 31, 1971)

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The Annual General Meeting of Shareholders will be held at the Winnipeg Inn, Winnipeg, Manitoba, May 25, 1971, at 12:00 noon.

On peut obtenir ce rapport annuel en français sur demande.



BOARD

GEORGE T. RICHARDSON

Winnipeg

*President, James Richardson & Sons Limited
Governor*

A. J. MACINTOSH, Q.C.

Toronto

*Partner, Blake, Cassels & Graydon
Deputy Governor*

J. R. MURRAY

Winnipeg

Managing Director

D. S. McGIVERIN

Winnipeg

Managing Director, Retail Stores

R. E. SHEEN

Winnipeg

Deputy Managing Director

H. W. SUTHERLAND

Winnipeg

Deputy Managing Director

THE RT. HON. VISCOUNT AMORY

K.G., P.C., G.C.M.G.,

London

Corporate Director

T. NORBERT BEAUPRÉ

Montreal

Chairman of the Board & President, Domtar Limited

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.

London

Director, The British Petroleum Company Ltd.

J. E. H. COLLINS, M.B.E., D.S.C.

London

ViceChairman, Morgan, Grenfell & Co. Ltd.

E. O. FAULKNER, M.B.E.

London

Chairman, Lloyds Bank Ltd.

G. R. HUNTER, Q.C.

Winnipeg

Partner, Pitblado, Hoskin & Company

W. J. KESWICK

London

Director, Matheson & Co. Ltd.

J. G. LINKS, O.B.E.

London

Director, Calman Links Ltd.

A. M. McGAVIN

Vancouver

President, McGavin Toastmaster Ltd.

J. BARTLETT MORGAN

Montreal

Chairman of the Board, The Morgan Trust Company

C. GORDON SMITH

Winnipeg

President, Oldgard Limited

SENIOR MANAGEMENT

D. G. BUCKLEY

General Manager, Western Region

C. W. EVANS

General Manager, Central Region

A. R. MURRAY

General Manager, Eastern Region

H. L. SPELLISCY

Manager, Alberta Region

D. H. PITTS

General Manager, Northern Stores Department

G. A. BURROWS

General Manager, Wholesale Department

A. F. FRAYLING

General Manager, Fur Sales

L. J. HENRY

President, Hudson's Bay Company Fur Sales Incorporated

J. G. W. MCINTYRE

General Manager, Retail Development

P. W. WOOD

Treasurer

M. H. MACKENZIE

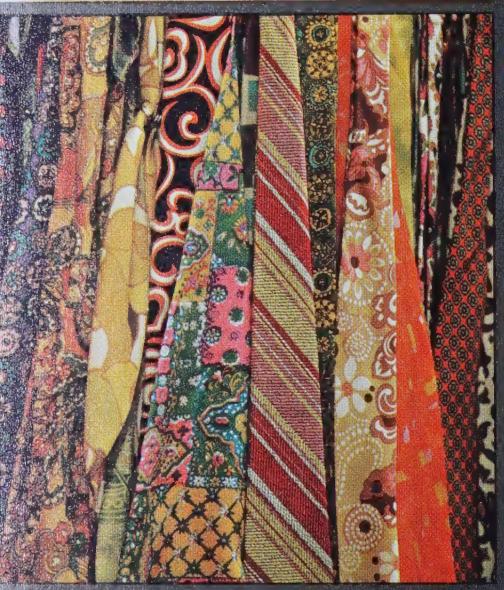
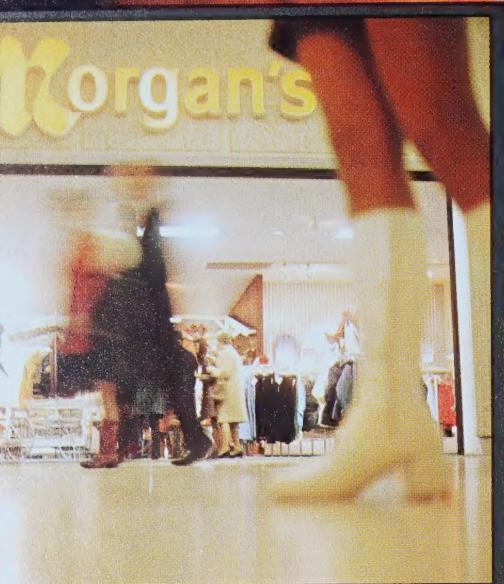
Director of Personnel

A. R. HUBAND

Secretary



Dorval Shopping Centre, Montreal



FINANCIAL HIGHLIGHTS
Year Ended January 31, 1971

	1971	1970
	\$	\$
NET SALES including service charges	<u>513,675,000</u>	<u>491,535,000</u>
CONSOLIDATED EARNINGS		
Earnings before income taxes	19,701,000	23,789,000
Income taxes	8,729,000	10,832,000
Net earnings	<u>10,972,000</u>	<u>12,957,000</u>
Earnings per share	81¢	96¢
Dividends paid	6,828,000	6,980,000
Dividends per share	50¢	51¢
CONSOLIDATED BALANCE SHEET		
Fixed assets	108,561,000	103,400,000
Investments	16,855,000	14,650,000
Net current assets	<u>132,319,000</u>	<u>112,623,000</u>
Assets employed	257,735,000	230,673,000
Long term debt	<u>80,632,000</u>	<u>56,831,000</u>
Shareholders' equity	<u>177,103,000</u>	<u>173,842,000</u>
OPERATING RESULTS BEFORE TAXES		
Retail – Sales including service charges	406,096,000	393,556,000
– Profit	12,353,000	16,643,000
Fur – Sales & consignments	86,533,000	98,971,000
– Profit	452,000	903,000
Wholesale – Sales	102,769,000	91,265,000
– Profit	2,437,000	2,004,000
Royalties	2,406,000	2,189,000
Dividends	<u>2,053,000</u>	<u>2,050,000</u>

Fairview Mall, Toronto



Directors' Report to Shareholders

1970 was eventful and encouraging in terms of long range corporate progress despite disappointing operating results.

On May 29, the day following approval by shareholders, Her Majesty the Queen and His Excellency the Governor-General issued new charters transferring the head office and domicile of the Company from the United Kingdom to Canada. The Board is confident this transfer of the corporate domicile to the country in which the Company's main operations are carried on will be of great benefit in the years ahead.

Substantial progress was made on the suburban store development program. Three stores were opened, a further three were announced, and more are in the planning stage.

Canada in 1970 suffered its most severe decline in consumer confidence in a decade. In this climate the Company's stores did not achieve a sales growth sufficient to offset the impact of rising costs. This was the principal cause of a reduction in earnings from 96¢ to 81¢ per share.

Financial

Earnings Earnings before tax were \$19,701,000 against \$23,789,000 the year before. Net earnings after tax were \$10,972,000, down from \$12,957,000 in the previous year.

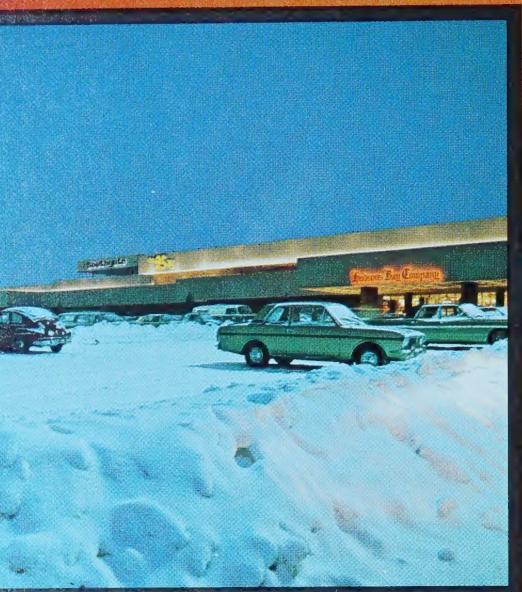
Sales Sales increased by 4.5% to \$513,675,000. The Company's fur consignment sales, not included in the previous figure, were \$81,723,000, a reduction of 11.4% from the year before.

Dividends When the Company was resident in the United Kingdom it followed the normal United Kingdom practice under which the Directors declared an interim dividend (payable in November) and recommended for approval at the Annual Court of Proprietors a final dividend (payable in May). The final dividend was usually at a higher rate than the interim dividend.

The Directors in future intend to declare half-yearly dividends payable in April and November. To initiate the new practice the Board on March 12, 1971, declared a dividend of 26¢ per share payable April 19 to shareholders of record on March 19. It is the present intention of the Directors that the dividend to be declared payable in November 1971 will be at the same rate.

Fixed Assets Net fixed assets at the year end were \$108,561,000, an increase of 5.0%. Net capital expenditure during the year was \$11,124,000, 20.8% lower than a year ago. This was made up of \$3,695,000 on land and buildings and \$7,429,000 on equipment and transport.

Depreciation was \$5,963,000, as against \$6,966,000 the previous year. Following a study of rates of depreciation, it was determined that the useful life of certain classes of fixed assets was longer than had been previously estimated. After careful consideration with the Company's Auditors, and with their concurrence, rates of depreciation were reduced, thereby increasing net earnings by approximately \$900,000.



Southgate Shopping Centre, Edmonton

Financial Statements For the first time, the financial statements have been prepared in accordance with Canadian accounting practice and as required by Canadian company law. This has resulted in a number of changes in presentation and content of the financial statements. Accordingly, certain of the figures for prior years have been restated.

Operations For most of 1970 the Canadian economy was under the influence of restrictive monetary and fiscal policies designed to combat inflation. These policies severely affected the domestic sector of the economy. Residential construction declined and individual disposable income came under pressure. The result was the slowest growth in consumer spending for many years. In the latter part of the year the restrictive economic policies were relaxed somewhat but not in time to affect retail sales.

Canadian Gross National Product, stimulated by a strong export performance, increased by 6½%. Of this, 3½% represented price increases, and 3% growth in real terms.

Retail Stores Sales in the Company's retail stores rose 3.2% but the rate of advance was adversely affected by the economic factors mentioned above. Unlike the previous two years, these conditions prevailed in every major urban area of the country. In addition, consumer durable sales were down as a result of reduced new housing completions. The highly important women's wear departments were unfavorably affected by uncertainty of fashion trends.

Expense reductions were effected wherever possible in response to the adverse sales trend. Of the many areas of increased expenses, the most notable was interest rates which were at record levels through the first three quarters of the year. The overall result was a decline in the profits of the retail store group from \$16,643,000 to \$12,353,000.

Three important new suburban stores were opened in 1970: in March a 110,000 sq. ft. store in the Dorval Shopping Centre in Montreal on the site of a store destroyed by fire a year earlier; in August a 124,000 sq. ft. unit in the Fairview Mall Shopping Centre in northeast Toronto; and in the same month a 162,000 sq. ft. store in the Southgate Shopping Centre in Edmonton. These stores enjoyed good consumer acceptance and each was able to meet its sales and profit objectives.

There was continued growth in the Company's business in communities dependent on natural resources. Results in the iron ore region of Quebec, affected by industrial strikes the previous year, were improved. Stores in such diverse and widely separated communities as Sept Iles, Hauterive, Schefferville, Baie Comeau, and Chibougamau in Quebec; Happy Valley in Labrador; Thompson and Lynn Lake in Manitoba; Yellowknife, Inuvik and Frobisher Bay in the Northwest Territories; and Whitehorse in the Yukon, made important contributions to sales and profits. The store at Kitimat, B.C., was refixedured and modernized; at Inuvik the store was enlarged. In addition, four small stores were rebuilt and a further twelve extended. A number of new medium sized stores will be opened during the current year.

Construction is nearing completion on a branch store of 160,000 sq. ft. in the

Mackenzie, B.C.



Calgary Market Mall Shopping Centre in the northwest section of that city, and construction will commence shortly on branch stores in northeast Edmonton and in the Surrey area of Vancouver. These new branches and others in the planning stage are part of a suburban development program which will enable the Company to accelerate its growth.

The Company has important minority equity interests in the Toronto Fairview, Edmonton Southgate, and Calgary Market Mall shopping centres. These investments will enable the Company to participate further in the expected long term success of these regional shopping centres.

Wholesale The Wholesale Department continued its satisfactory record of growth in sales and profits. A new branch was opened in Halifax, Nova Scotia, bringing the total number of branches to 25, and providing coast to coast coverage.

Fur World fur prices, already at depressed levels as 1970 began, continued sharply downward through the Spring season. The price of Mink fell to below the cost of production of many North American ranchers, and some producers withdrew from the business. There was a welcome upturn in demand in January 1971, when prices recovered to about the same level as a year earlier.

The Company's New York auction, which is almost entirely dependent on United States Mink, suffered severely in these market conditions. Although the volume of skins handled was slightly above the previous year, the average price of Mink was lower by almost 30%, and this resulted in lower commission income and in a loss for this unit for the second successive year.

The London and Montreal operations, which handle a wider variety of furs, were affected by the same general market conditions, but less severely than New York. One exception to the general downward trend in furs was Persian Lamb which is handled in large quantities in London. Prices of this commodity remained stable throughout the year and have advanced in the early weeks of 1971.

It is hoped the firmer prices of recent weeks are an indication of a return to more normal profit levels in the fur industry.

Oil

Hudson's Bay Oil and Gas Company Limited, owned 21.9% by Hudson's Bay Company, achieved continued growth in 1970.

Net earnings were \$20,170,000, an increase of 6.8% over the previous year and, after deducting preferred dividends, amounted to \$1.02 per common share. During 1970 deferred income tax accounting was adopted, and financial results for the previous years were restated for comparability.



Gross operating revenues were \$84,190,000, an increase of 10.1%. The growing demand for western Canadian petroleum products in the United States and Canadian markets led to substantial increases in production.

Capital expenditures and exploration expenses remained at a high level, \$45,685,000, compared with \$49,117,000 in 1969.

Through a tender offer to its shareholders, Continental Oil Company exchanged 2,000,000 of its Hudson's Bay Oil and Gas common shares for Continental shares. This exchange, completed in December 1970, increased public ownership of Hudson's Bay Oil and Gas common shares from 12.3% to 23.2%. Continental's ownership decreased from 65.8% to 54.9%, and Hudson's Bay Company's ownership remained the same at 21.9%.

Concurrent with this large addition to the public holdings, trading facilities for Hudson's Bay Oil and Gas shares were broadened by listing the common shares on the American Stock Exchange and the common and preferred shares on the Montreal Stock Exchange. Both classes continue to trade on the Toronto Stock Exchange.

The annual dividend was unchanged at 50¢ per common share and, as a result, Hudson's Bay Company again received \$2,004,000. Higher production of oil and natural gas was the principal cause of an increase of 10% in royalty income of Hudson's Bay Company.

1970 marked the retirement of L. J. Richards as President of Hudson's Bay Oil and Gas. Mr. Richards was one of a small group of executives from Continental Oil who came to Canada in 1948 to activate Hudson's Bay Oil and Gas. He made a notable contribution to that company. He was succeeded as President by D. C. Jones.

Historic Occasions The Province of Manitoba and the Northwest Territories each marked its Centennial year in 1970, both celebrations being honoured by the presence of the Queen. One of the notable events during the Royal visit to Manitoba was the presentation to Her Majesty by the Governor, Lord Amory, of the Company's traditional Rent of two Elk and two black Beaver as specified in the original Charter. The colourful ceremony was held at Lower Fort Garry on July 14. The next day in Winnipeg, Her Majesty delivered an address to the special session of the Legislative Assembly of Manitoba, and shareholders will be interested in her references to the Company and to the granting of a Canadian Charter.

"1970 is also an important anniversary for an institution with intimate connections with Canada's Northwest, going back 300 years. It was in 1670 that King Charles II granted a Royal Charter to the Governor and Company of Adventurers of England trading into Hudson's Bay. In one respect this company, which has played such a legendary role in the story of western Canada, could be looked upon as the founder of Manitoba. In 1870, it sold its vast land tenure in this area so that the land could come under the British and subsequently the Canadian government jurisdiction. It seems fitting and appropriate that in this anniversary year it should transfer its headquarters from



London to Winnipeg. Indeed, I had the interesting experience of revoking the original charter in one capacity and in granting a new one as Queen of Canada."

The Board Lord Amory retired as Governor November 26, 1970, but agreed to continue as a Director until the 1971 Annual Meeting.

Lord Amory was elected Governor in 1965, after a distinguished business, military, political, and diplomatic career in the United Kingdom. During his term as Governor arrangements were completed for the historic transfer of the corporate domicile, the suburban store expansion program was developed and the Company celebrated its 300th Anniversary.

The Company was indeed fortunate in having a man of Lord Amory's vitality and wisdom as its Governor during this eventful period.

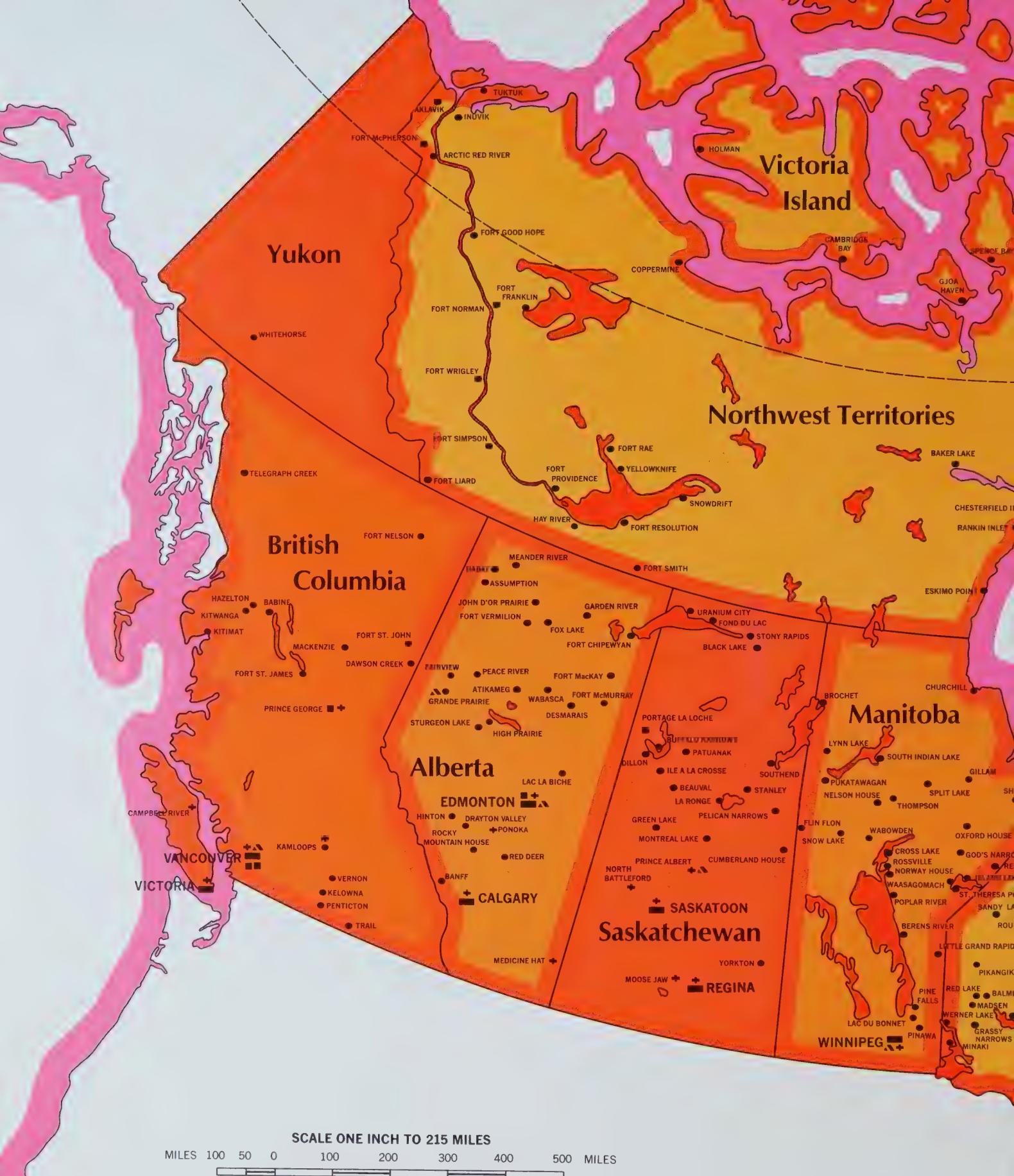
G. T. Richardson, of Winnipeg, was elected to succeed Lord Amory as Governor. He is the 32nd Governor, and the first person born in Canada to hold this position. A. J. MacIntosh, Q.C., of Toronto, was elected Deputy Governor.

Personnel There is widespread pride in Canada in the accomplishments of this historic Company, and nowhere is this more keenly felt than amongst the Company's personnel. Some 15,000 men and women work for the Company in over 280 locations in Canada.

The Board, in reporting to the shareholders on the first occasion after the Company's transfer to Canada, wishes to reaffirm its confidence in the loyalty and competence of the Company's personnel. They have worked during an especially difficult year with enthusiasm and devotion to the best interests of the Company and its customers.

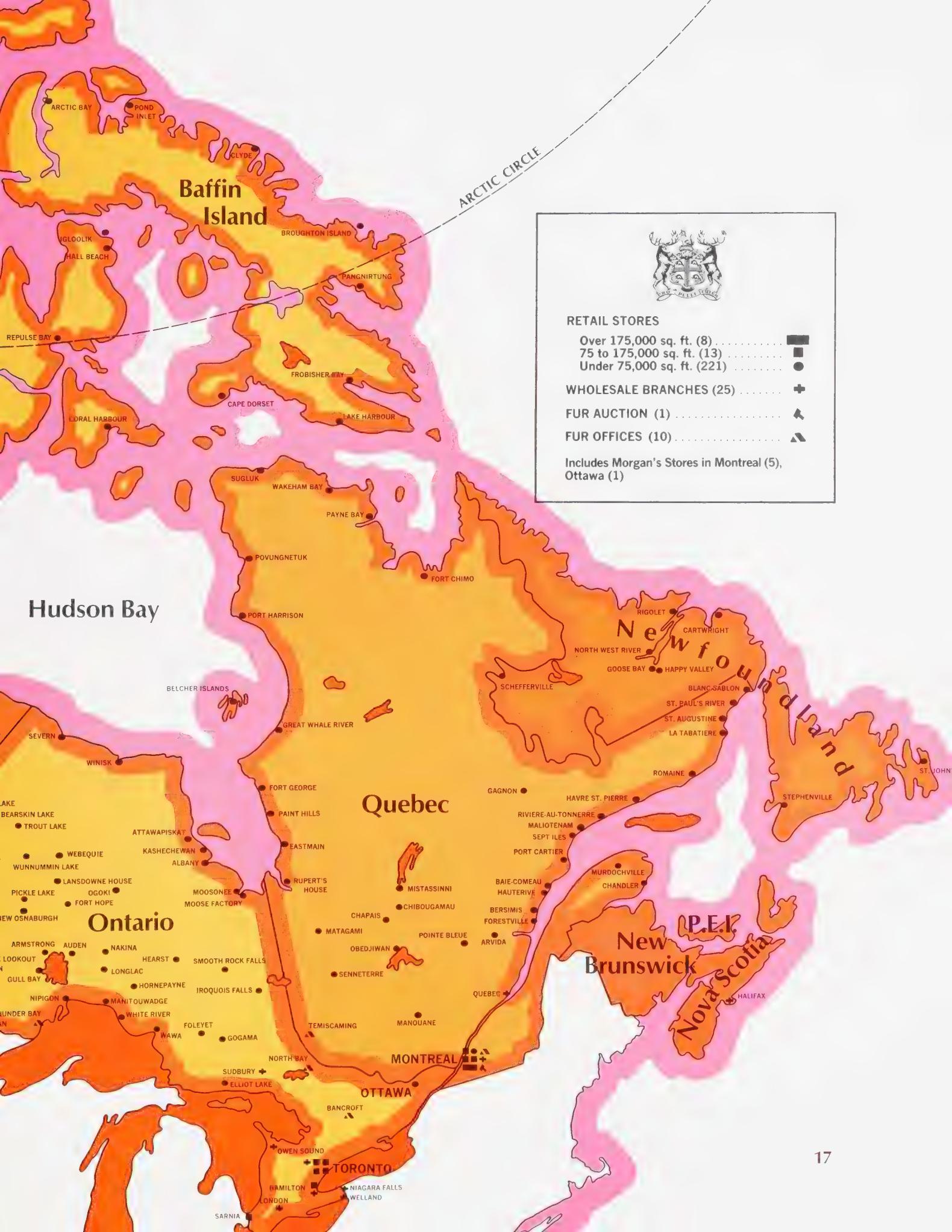
On behalf of the Board,
G. T. RICHARDSON,

March 17, 1971. G. T. RICHARDSON, Governor



SCALE ONE INCH TO 215 MILES

SCALE ONE INCH TO 215 MILES



The Company—A Brief Description

It was in late September, 1668, that the ketch *Nonsuch* from England, with Des Groseilliers aboard, anchored in James Bay. Here a small fort was built and the men spent the winter hunting and trading with the peaceful Crees. The following October the ketch arrived back in London with a handsome cargo of beaver pelts. Because of this successful voyage, King Charles II granted to 18 Adventurers a Charter incorporating them as The Governor and Company of Adventurers of England trading into Hudson's Bay.

During the first century of the Company's existence the men on the Bay established forts, traded with the Indians and were involved in wars with the French.

As competition from the Montreal-based North West Company increased in the 1770's, the Company moved into the interior and gradually built a network of routes and forts spread out over the north and west.

In 1870, by Deed of Surrender, the Company formally transferred its chartered territory to Canada in return for farm lands in the Prairie Provinces. This land has since been sold but mineral rights on 4½ million acres have been retained. The petroleum and natural gas rights have been optioned to Hudson's Bay Oil and Gas Company Limited in which the Hudson's Bay Company has a 21.9% interest.

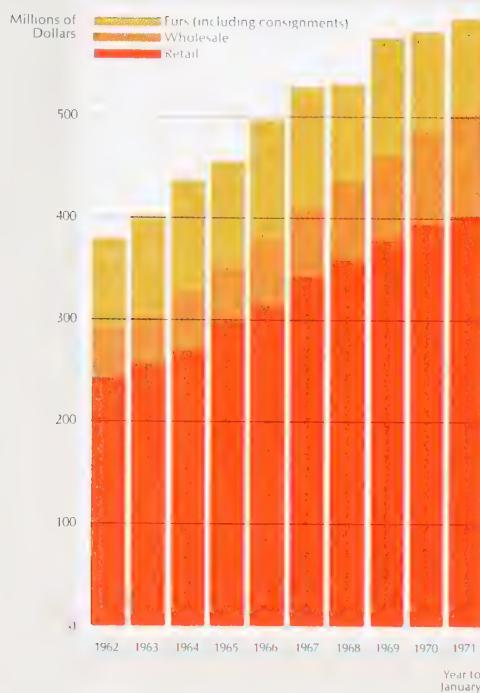
During the 30 years following the Deed of Surrender more than two million people settled West of the Great Lakes, and the Company turned its attention to the retail trade, which is now its most important activity. Today approximately 250 stores, ranging from Newfoundland to the Yukon and from the Arctic Islands to the Niagara Peninsula, serve the diversified needs of Canadians.

The Company maintains its traditional interest in fur. Although fur is a small portion of its total sales, the Company is the largest fur trading firm in the world, with auction houses in Montreal, New York and London.

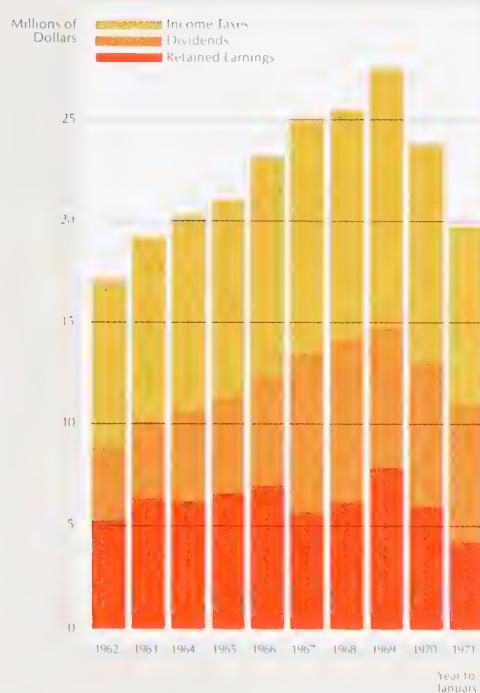
The Wholesale Department distributes giftware, confectionery and tobacco products through a network of branches located from coast to coast. The Company's famous blankets and spirits are sold throughout Canada and the United States.

In 1970, three hundred years after its incorporation, the headquarters of the Company was transferred from London, England, to Winnipeg, Canada. Hudson's Bay House serves as the Company's head office and the administrative centre for the various activities which, today, employ approximately 15,000 people.

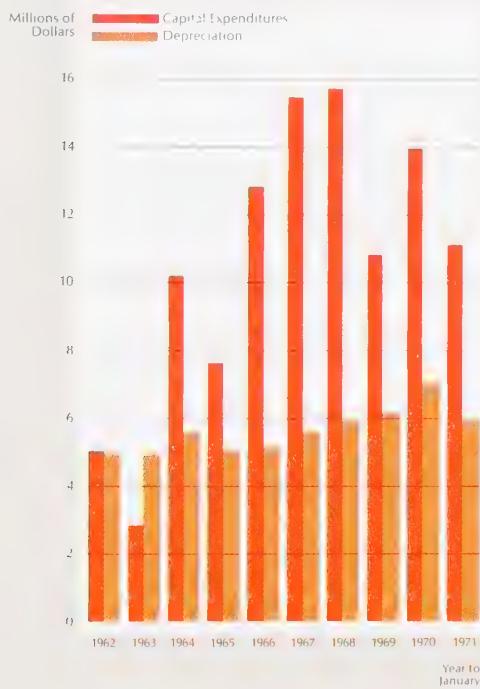
SALES



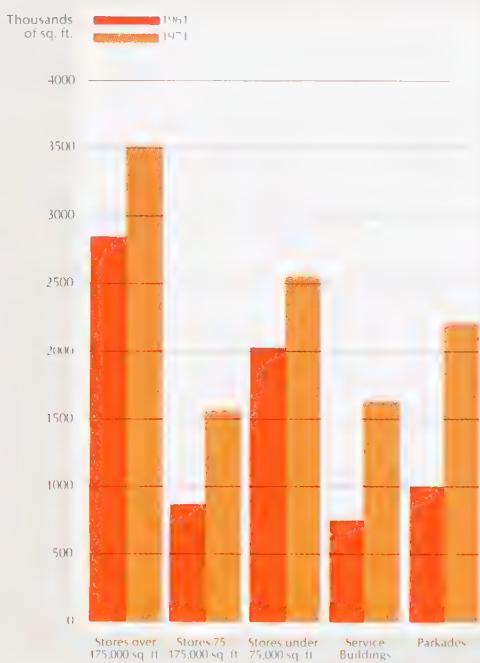
EARNINGS



CAPITAL EXPENDITURES AND DEPRECIATION (Land, Buildings and Equipment)



RETAIL FACILITIES



HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
January 31, 1971

	1971 \$	1970 \$
CURRENT ASSETS		
Cash	3,302,000	3,937,000
Short term securities at market value	3,703,000	—
Accounts receivable	103,146,000	92,371,000
Merchandise inventories (Note 3)	77,372,000	69,045,000
Prepaid expenses	<u>2,474,000</u>	<u>1,288,000</u>
Total current assets	<u>189,997,000</u>	<u>166,641,000</u>
INVESTMENTS at cost (Note 4)		
Hudson's Bay Oil and Gas Company Limited.	10,095,000	10,095,000
Other	<u>6,760,000</u>	<u>4,555,000</u>
Total investments	<u>16,855,000</u>	<u>14,650,000</u>
FIXED ASSETS		
Land and buildings at cost (Note 5)	134,727,000	131,220,000
Equipment, transport and leasehold improvements at cost	<u>40,870,000</u>	<u>37,491,000</u>
	175,597,000	168,711,000
Less accumulated depreciation	<u>67,036,000</u>	<u>65,311,000</u>
Total fixed assets	<u>108,561,000</u>	<u>103,400,000</u>
DEFERRED CHARGES		
Unamortized debenture discount and expense	<u>700,000</u>	<u>220,000</u>
	<u>316,113,000</u>	<u>284,911,000</u>

On behalf of the Board:

D.R. Murray *George T. Richardson*
 Director Director

	1971	1970
	\$	\$
CURRENT LIABILITIES		
Bank loans and overdrafts	1,199,000	4,579,000
Short term loans	600,000	3,400,000
Accounts payable and accrued expenses	46,473,000	39,351,000
Income taxes payable	<u>2,721,000</u>	<u>629,000</u>
Total current liabilities	<u>50,993,000</u>	<u>47,959,000</u>
LONG TERM DEBT (Note 12)	<u>80,632,000</u>	<u>56,831,000</u>
DEFERRED LIABILITIES		
Staff retirement (Note 6)	4,078,000	4,244,000
Income taxes	<u>3,307,000</u>	<u>2,035,000</u>
Total deferred liabilities	<u>7,385,000</u>	<u>6,279,000</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)		
Ordinary shares without par value:		
Authorized 20,000,000 shares;		
issued 13,553,428 shares	35,239,000	35,239,000
Retained earnings (Note 8)	<u>141,864,000</u>	<u>138,603,000</u>
Total shareholders' equity	<u>177,103,000</u>	<u>173,842,000</u>
	<u>316,113,000</u>	<u>284,911,000</u>

HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
Year Ended January 31, 1971

	1971	1970
	\$	\$
NET SALES including service charges	513,675,000	491,535,000
OTHER INCOME		
Royalties	2,436,000	2,189,000
Dividends	<u>2,053,000</u>	<u>2,050,000</u>
	<u>518,164,000</u>	<u>495,774,000</u>
COST AND EXPENSES		
Cost of merchandise sold and all expenses other than those listed below	486,866,000	460,902,000
Depreciation (Note 9).	5,963,000	6,966,000
Interest on long term debt (Note 12)	5,525,000	3,503,000
Net short term interest	<u>109,000</u>	<u>614,000</u>
	<u>498,463,000</u>	<u>471,985,000</u>
EARNINGS BEFORE INCOME TAXES	19,701,000	23,789,000
INCOME TAXES	<u>8,729,000</u>	<u>10,832,000</u>
NET EARNINGS FOR THE YEAR	<u>10,972,000</u>	<u>12,957,000</u>
NET EARNINGS PER SHARE	<u>81¢</u>	<u>96¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended January 31, 1971

	1971	1970
	\$	\$
RETAINED EARNINGS AT BEGINNING OF YEAR (Note 8)	138,603,000	132,626,000
NET EARNINGS FOR THE YEAR	10,972,000	12,957,000
TRANSFER ADJUSTMENTS (Note 8)	<u>(883,000)</u>	—
DIVIDENDS PAID	<u>(6,828,000)</u>	<u>(6,980,000)</u>
RETAINED EARNINGS AT END OF YEAR	<u>141,864,000</u>	<u>138,603,000</u>

HUDSON'S BAY COMPANY & SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
Year Ended January 31, 1971

	1971	1970
	\$	\$
SOURCE OF FUNDS		
Net earnings for the year	10,972,000	12,957,000
Depreciation (Note 9)	5,963,000	6,966,000
Deferred income taxes	<u>1,272,000</u>	<u>496,000</u>
Provided from operations	18,207,000	20,419,000
Increase in long term debt	<u>23,801,000</u>	<u>9,636,000</u>
	<u>42,008,000</u>	<u>30,055,000</u>
 USE OF FUNDS		
Additions to fixed assets, net	11,124,000	14,039,000
Additions to investments	2,205,000	3,060,000
Dividends	6,828,000	6,980,000
Other, net	1,529,000	(514,000)
Increase (decrease) in working capital:		
Cash & short term securities, net	9,248,000	(13,229,000)
Other working capital	<u>11,074,000</u>	<u>19,719,000</u>
	<u>42,008,000</u>	<u>30,055,000</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hudson's Bay Company and subsidiaries as of January 31, 1971, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company and its subsidiaries at January 31, 1971, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

Winnipeg, Canada.
 March 12, 1971.

Pearl, Warwick & Mitchell Co.
 Chartered Accountants

**HUDSON'S BAY COMPANY & SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
Year Ended January 31, 1971**

1. BASIS OF PRESENTATION

On May 29, 1970 the Company's domicile and Head Office were transferred to Canada and by a Supplemental Canadian Charter it continues as a Royal Charter Company to which the laws of Canada apply. As a consequence the accompanying financial statements have been prepared in accordance with Canadian company law and reporting practices which differ, in some respects, from those of the United Kingdom. Certain of the figures and information in the financial statements for the previous year have been restated where necessary to make them comparable with the current year.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Hudson's Bay Company and its subsidiary companies, all of which are wholly owned.

The accounts of the U.K. and U.S. subsidiaries have been converted into Canadian dollars at approximately the exchange rates prevailing at the balance sheet dates.

3. MERCHANTISE INVENTORIES

Merchandise inventories have been valued at the lower of cost and net realizable value.

4. INVESTMENTS

The investment in Hudson's Bay Oil & Gas Company Limited is 4,008,656 common shares representing 21.9% of the total issued common shares of that company. Other common shares are held by Continental Oil Company (54.9%) and by the general public (23.2%). The market quotation at January 31, 1971, on the Toronto Stock Exchange was \$40 $\frac{1}{4}$ per share.

Other investments principally comprise equity and loan capital in shopping centre companies from which the Company leases certain stores.

5. LAND

Land includes mineral rights underlying approximately 4 $\frac{1}{2}$ million acres in Western Canada recorded at nominal value.

6. STAFF RETIREMENT

The provision for staff retirement is adequate to cover the cost of all unfunded pension obligations.

7. CAPITAL STOCK

By Supplemental Charter dated May 29, 1970, issued at the time of the transfer of the Head Office of the Company from the United Kingdom to Canada, the authorized capital of the Company was changed from 15,000,000 ordinary shares of £1 each to 20,000,000 ordinary shares without par value. Each issued share of £1 was changed into one share without par value.

8. RETAINED EARNINGS

(i) At January 31, 1970

Capital and revenue reserves of \$20,898,000 and \$114,188,000 respectively have been combined and redesignated "retained earnings" and the provision for the undeclared but proposed final dividend of \$3,876,000 (paid May 28, 1970) and related United Kingdom transitional tax relief of \$359,000 have been reversed. (See Note 1)

(ii) Transfer adjustments

Transfer adjustments are principally exchange adjustments for U.K. and U.S. subsidiaries which are considered to relate to the transfer of the domicile and Head Office of the Company to

Canada (See Note 1) and also include the final settlement of United Kingdom transitional tax relief.

9. DEPRECIATION

All buildings, equipment, transport and leasehold improvements are depreciated, using the straight-line method, at rates that will fully depreciate the assets, over their estimated useful lives.

During the current year revisions were made to the estimated useful lives of certain classes of assets (see Directors' report, page 7). This change reduced the charge for the current year's depreciation and had the effect of increasing net earnings by approximately \$900,000. The depreciation rates applicable to the various classes of assets are substantially as follows:

Buildings	2% - 5%	Equipment	7% - 15%
Leasehold improvements	3% - 5%	Transport	20%

10. LEASE COMMITMENTS

Minimum annual rentals under major leases in effect or contracted amount to approximately \$2,350,000. The average term of these leases is 20 years.

11. REMUNERATION OF DIRECTORS AND OFFICERS

Aggregate remuneration of nineteen directors, two of whom retired, in their capacity as directors, was \$81,837. Aggregate remuneration of eleven officers, three of whom retired, in their capacity as officers, was \$511,280. Six of the officers are also directors.

12. LONG TERM DEBT

	1971	1970
Hudson's Bay Company Acceptance Limited	\$	\$
6% debentures series A due 1980	10,000,000	10,000,000
5 3/4% debentures series B due 1983	10,000,000	10,000,000
9 1/2% debentures series C due 1989	20,000,000	-
Hudson's Bay Company Properties Limited		
5 3/4% first mortgage bonds series A due 1990	14,160,000	14,665,000
Annual sinking fund requirements \$375,000		
7 1/2% first mortgage bonds series B due 1991	9,400,000	10,000,000
Annual sinking fund requirements \$250,000		
Henry Morgan & Co. Limited		
4 3/4% debentures due 1976	1,000,000	1,060,000
Rupert's Land Trading Company		
Mortgages, 7% average		
Repayable by instalments to 1988	<u>1,072,000</u>	<u>1,106,000</u>
Long term debt of subsidiaries	65,632,000	46,831,000
Hudson's Bay Company		
8 1/2% series A unsecured notes due 1972 to 1974	10,000,000	10,000,000
9 1/4% series B unsecured notes due 1973 to 1974	5,000,000	-
Consolidated long term debt	<u>80,632,000</u>	<u>56,831,000</u>

Maturities and sinking fund requirements during the next five fiscal years are as follows:

1972 - \$32,000; 1973 - \$7,169,000; 1974 - \$6,412,000; 1975 - \$2,964,000; 1976 - \$667,000.

In addition the holders of Hudson's Bay Company Acceptance Limited series C debentures have the right to elect to be repaid in the 1976 fiscal year.

Deferred debenture discount and expense are being amortized over the term of the issues to which they relate. The amortization is included with interest on long term debt in the consolidated statement of earnings.

COMPARATIVE SUMMARY

IN THOUSANDS OF DOLLARS

YEARS ENDED JANUARY 31	1971	1970	1969	1968
Sales — Retail	406,096	393,556	377,732	355,417
— Fur (excl. consignments)	4,810	6,713	6,687	4,958
— Wholesale	102,769	91,266	83,998	78,690
— Total	513,675	491,535	468,417	439,065
Fur consignment sales	81,723	92,258	110,214	90,803
Profit — Retail	12,353	16,643	18,569	18,270
— Fur	452	903	2,265	868
— Wholesale	2,437	2,004	2,324	2,226
Royalties	2,406	2,189	2,228	2,181
Dividends	2,053	2,050	2,049	2,049
Earnings before taxes	19,701	23,789	27,435	25,594
Income taxes	8,729	10,832	12,732	11,486
Net earnings	10,972	12,957	14,703	14,108
Dividends	6,828	6,980	6,872	7,929
Earnings retained	4,144	5,908	7,831	6,179
Capital expenditures	11,124	14,039	10,995	15,814
Depreciation	5,963	6,966	6,198	5,907
Fixed assets	108,561	103,400	96,327	91,530
Investments	16,855	14,650	11,590	10,280
Net current assets	132,319	112,623	106,805	93,824
Assets employed	257,735	230,673	214,722	195,634
Long term debt	80,632	56,831	47,195	37,208
Shareholders' equity	177,103	173,842	167,527	158,426
Shares outstanding (000's)	13,553	13,553	13,553	13,553
Number of shareholders	28,945	32,142	31,066	30,201
Net earnings per share	81¢	96¢	\$1.08	\$1.04
Cash flow per share	\$1.34	\$1.51	\$1.59	\$1.51
Dividends per share	50¢	51¢	51¢	59¢

Notes: (1) Figures have, where appropriate, been restated in accordance with North American practice.

(2) Miscellaneous and non-recurring items have been excluded from profits but have been included in shareholders' equity.

1967	1966	1965	1964	1963	1962
339,962	312,357	291,884	271,938	256,662	243,734
7,290	6,864	8,226	7,776	6,771	6,518
<u>71,029</u>	<u>63,351</u>	<u>57,732</u>	<u>54,389</u>	<u>50,367</u>	<u>47,206</u>
418,281	382,572	357,842	334,103	313,800	297,458
<u>108,792</u>	<u>109,146</u>	<u>95,268</u>	<u>101,013</u>	<u>91,482</u>	<u>82,679</u>
17,922	16,428	15,405	14,406	13,716	12,589
1,497	1,884	1,392	2,361	2,121	1,703
2,007	1,371	1,014	693	627	602
2,025	1,827	1,764	1,677	1,569	1,397
<u>1,653</u>	<u>1,647</u>	<u>1,443</u>	<u>1,236</u>	<u>1,236</u>	<u>826</u>
25,104	23,157	21,018	20,373	19,269	17,117
<u>11,640</u>	<u>10,848</u>	<u>9,741</u>	<u>9,645</u>	<u>9,183</u>	<u>8,224</u>
<u>13,464</u>	<u>12,309</u>	<u>11,277</u>	<u>10,728</u>	<u>10,086</u>	<u>8,893</u>
7,929	5,352	4,749	4,500	3,852	3,547
<u>5,535</u>	<u>6,957</u>	<u>6,528</u>	<u>6,228</u>	<u>6,234</u>	<u>5,346</u>
<u>15,549</u>	<u>12,912</u>	<u>7,452</u>	<u>10,203</u>	<u>2,877</u>	<u>5,076</u>
<u>5,613</u>	<u>5,166</u>	<u>5,115</u>	<u>5,403</u>	<u>4,995</u>	<u>5,020</u>
81,777	71,841	64,095	61,758	56,958	58,932
10,308	10,308	10,308	10,308	10,308	10,293
<u>95,244</u>	<u>98,946</u>	<u>84,117</u>	<u>80,232</u>	<u>69,099</u>	<u>61,095</u>
187,329	181,095	158,520	152,298	136,365	130,320
<u>36,060</u>	<u>37,719</u>	<u>23,277</u>	<u>23,673</u>	<u>14,064</u>	<u>14,319</u>
<u>151,269</u>	<u>143,376</u>	<u>135,243</u>	<u>128,625</u>	<u>122,301</u>	<u>116,001</u>
13,553	13,553	13,553	13,553	13,553	13,553
30,959	29,538	28,753	26,628	24,295	22,667
99¢	91¢	83¢	79¢	74¢	66¢
\$1.41	\$1.29	\$1.21	\$1.19	\$1.11	\$1.03
59¢	39¢	35¢	33¢	30¢	28¢

CORPORATE INFORMATION

HEAD OFFICE

Hudson's Bay House, 77 Main Street, Winnipeg 1, Manitoba

PRINCIPAL BANKERS

*Canadian Imperial Bank of Commerce
Bank of Montreal*

REGISTRARS AND TRANSFER AGENTS

*The Royal Trust Company, Calgary, Montreal, Toronto,
Vancouver and Winnipeg*

Williams & Glyn Registrars Limited, London

STOCK EXCHANGE LISTINGS

Montreal, Toronto and London

AUDITORS

Peat, Marwick, Mitchell & Co.

PRINCIPAL SUBSIDIARY COMPANIES

(Wholly Owned)

INCORPORATED IN CANADA

HENRY MORGAN & CO. LIMITED

Operates stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases department stores' accounts receivable

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD.

Property owning company

THE H. FORTIER COMPANY LIMITED

Wholesale distributors

INCORPORATED IN THE UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

INCORPORATED IN ENGLAND

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LIMITED

Fur brokers



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BULMAN BROS. (1968) LIMITED
WINNIPEG